

**DIRECT TESTIMONY OF**

**MATTHEW P. SCHELLINGER II**

**ON BEHALF OF**

**THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF**

**DOCKET NO. 2018-318-E**

**IN RE: APPLICATION OF DUKE ENERGY PROGRESS, LLC**

**FOR ADJUSTMENTS IN ELECTRIC RATE SCHEDULES AND TARIFFS**

**AND REQUEST FOR AN ACCOUNTING ORDER**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.**

**A.** My name is Matthew P. Schellinger II. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina, 29201. I am employed by the Office of Regulatory Staff ("ORS") in the Utility Rates and Services Division as a Regulatory Analyst.

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.**

**A.** I received a Bachelor of Science Degree with a major in Accounting from the University of South Florida in 2012. I received a Master of Business Administration with a focus in Management and Strategy from Western Governors University in 2016. From 2007 to 2013, I was employed as a controller for an insurance agency. In that capacity, I performed general corporate accounting functions on a daily and monthly basis. In February 2013, I began my employment with ORS as an Auditor. In May 2016, I joined the Utility Rates and Services Division as a Regulatory Analyst.

**Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA ("COMMISSION")?**

A. Yes. I have testified before the Commission in connection with hearings concerning the Fuel Adjustment Clause, general rate cases, natural gas, and water and wastewater matters.

**Q. WHAT IS THE MISSION OF THE OFFICE OF REGULATORY STAFF?**

A. ORS represents the public interest as defined by the South Carolina General Assembly as:

The concerns of the using and consuming public with respect to public utility services, regardless of the class of customer, and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services.

**Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

A. The purpose of my testimony is to present ORS's analysis and recommendations related to Duke Energy Progress, LLC's ("Company" or "DEP") request for an Excess Deferred Income Tax ("EDIT") Rider.

**Q. PLEASE DESCRIBE ORS'S POSITION ON THE COMPONENTS OF THE EDIT RIDER.**

A. The EDIT Rider is comprised of five components:

- 1) Federal EDIT – Protected;
- 2) Federal EDIT – Unprotected and related to Property Plant & Equipment ("PPE");
- 3) Federal EDIT – Unprotected and not related to PPE;
- 4) Deferred Revenue and Distributed Energy Resource Program ("DERP") Solar Rebate;
- and,
- 5) North Carolina EDIT.

These five components are discussed in more detail by DEP witness Bateman.

ORS has reviewed the specific components and agrees that the use of a rider to return the benefits to the DEP customers is reasonable. The amortization period associated with the five components is reasonable, and ORS recommends the approval of the amortization period as suggested by the Company. To summarize, the EDIT Rider will include the following amortization periods:

- 1) Protected EDIT: average rate assumption method (“ARAM”), to be updated annually;
- 2) Unprotected EDIT – PP&E Related: 20 years;
- 3) Unprotected EDIT – Non-PP&E Related: 5 years;
- 4) Deferred Revenue and DERP Solar Rebate: 5 years; and,
- 5) NC EDIT: 1 year.

**Q. IS THE EDIT RIDER, AS PROPOSED BY THE COMPANY, CALCULATED CORRECTLY?**

**A.** Yes. ORS has reviewed the specific components of the EDIT Rider and does not recommend any adjustments. The EDIT Rider includes an after-tax return calculation that reduces the rider annually as rate base is returned to customers. ORS has recalculated this number, based on the cost of capital components proposed by ORS witness Parcell, and recommends the return of rider revenues of \$9,983,536 in the first year.

In subsequent periods, ORS will review the changing ARAM rate related to protected EDIT to ensure that it is correctly calculated during the annual change in the EDIT rider.

**Q. WILL YOU UPDATE YOUR TESTIMONY BASED ON INFORMATION THAT BECOMES AVAILABLE?**

1     **A.**             Yes. ORS reserves the right to revise its recommendations via supplemental  
2             testimony should new information not previously provided by the Company, or other  
3             sources become available.

4     **Q.     DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

5     **A.**             Yes, it does.